



Government of
Saskatchewan

2006 Annual Report

Extended Health
Care Plan for Retired
Employees

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Saskatchewan
Finance

His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan
Government House
4607 Dewdney Avenue
Regina, Saskatchewan
S4P 3V7

Dear Sir:

Letter of Transmittal

I have the honour to transmit herewith the fifth Annual Report of the Extended Health Care Plan for Retired Employees for the year ending December 31, 2006.

I have the honour to be, Sir,

Your obedient servant,

A handwritten signature in black ink, appearing to read "Andrew Thomson". The signature is fluid and cursive, with a horizontal line drawn underneath the name.

Andrew Thomson
Minister of Finance



Saskatchewan
Public Employees
Benefits Agency

The Honourable Andrew Thomson
Minister of Finance
Regina, Saskatchewan

Sir:

Letter of Transmittal

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the fifth Annual Report of the Extended Health Care Plan for Retired Employees for the year ending December 31, 2006.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Brian Smith".

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Extended Health Care Plan For Retired Employees

Introduction

The Extended Health Care Plan for Retired Employees was established on January 15, 2002.

The Fund is used to account for the transactions of the Extended Health Care Plan for Retired Employees which provides health care benefits to eligible retired employees of the Government of Saskatchewan.

As at December 31, 2006, participation in the Plan has been approved by the Lieutenant Governor in Council for all government organizations whose employees are employees of the Government of Saskatchewan as defined under *The Public Service Act* and who are members of PS/GE SGEU or CUPE 600-3.

Participating Employers

The following employers participate in the Extended Health Care Plan for Retired Employees:

With respect to individuals who are, or who immediately prior to the termination of their employment were, members of the Saskatchewan Government and General Employees Union:

Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)
Children's Advocate (Office of the)
Farm Land Security Board
Horned Cattle Fund
Information and Privacy Commissioner (Office of the)
Milk Control Board
Ombudsman (Office of the)
Prairie Diagnostic Services
The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*
Saskatchewan Archives Board
Saskatchewan Municipal Board

With respect to individuals who are, or who immediately prior to the termination of their

employment were, members of the Canadian Union of Public Employees, Local No. 600-3:

The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*

Administration

The Public Employees Benefits Agency has established a fund pursuant to *The Financial Administration Act, 1993* for the purpose of providing benefits under the Plan. A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

Group Medical Services provides insured extended health coverage to eligible retirees.

The Plan pays a premium subsidy to Group Medical Services on behalf of PS/GE SGEU retirees. The Plan's risk is limited to the payment of the monthly premium subsidy as follows:

Single	\$12.00	per month
Couple	\$24.00	per month
Family	\$30.00	per month

Funding

Effective October 1, 2002 funding for the Plan became employer paid at a rate of .25% of straight time annual payroll. For the period December 1, 2004 to November 30, 2005, the Government and PS/GE SGEU decided to divert funding to the PS/GE SGEU Benefit Plans' Surplus Fund. This amounted to \$1,013,682.

Benefits

A retiree is eligible for benefits immediately following retirement. Claims are paid on behalf of all family members and covers certain health and vision care benefits.

MANAGEMENT'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

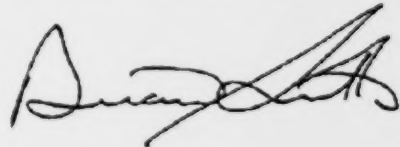
As members of management of the Extended Health Care Plan for Retired Employees, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Extended Health Care Plan for Retired Employees has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

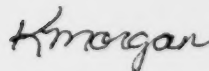
We enclose the financial statements of the Extended Health Care Plan for Retired Employees for the year ended December 31, 2006 and the Provincial Auditor's report on these financial statements.



Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency



Perry Bahr
Director, Benefit Programs
Public Employees Benefits Agency



Kathy Morgan
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
February 28, 2007

EXTENDED HEALTH CARE PLAN FOR RETIRED EMPLOYEES

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

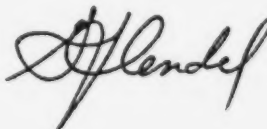
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Extended Health Care Plan for Retired Employees as at December 31, 2006 and the statements of operations and net assets, and cash flows for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Regina, Saskatchewan
February 28, 2007

Fred Wendel, CMA, CA
Provincial Auditor

**EXTENDED HEALTH CARE PLAN FOR RETIRED EMPLOYEES
STATEMENT OF FINANCIAL POSITION**

STATEMENT 1

AS AT DECEMBER 31

	<u>2006</u>	<u>2005</u>
ASSETS		
Due from General Revenue Fund (Note 3)	\$ 323,035	\$1,915,001
Short-term investments (Note 4)	2,571,946	-
Employer contributions receivable	83,664	79,896
Accrued interest income	19,445	-
	<u>2,998,090</u>	<u>1,994,897</u>
 LIABILITIES		
Accounts payable (Note 6)	<u>1,577</u>	<u>5,470</u>
Net assets (Statement 2)	<u>\$2,996,513</u>	<u>\$1,989,427</u>

(See accompanying notes to the financial statements)

**EXTENDED HEALTH CARE PLAN FOR RETIRED EMPLOYEES
STATEMENT OF OPERATIONS AND NET ASSETS**

STATEMENT 2

FOR THE YEAR ENDED DECEMBER 31

	2006		2005
	Budget (Note 7)	Actual	Actual
REVENUES			
Employer contributions (Note 1)	\$1,040,000	\$1,093,349	\$ 79,896
Interest Income (Notes 3 & 4)	65,000	97,468	50,084
	<u>1,105,000</u>	<u>1,190,817</u>	<u>129,980</u>
EXPENSES			
Insurance premium subsidy	124,500	157,932	101,305
Administration (Note 6)	28,765	25,799	40,700
	<u>153,265</u>	<u>183,731</u>	<u>142,005</u>
Surplus (deficit) for the year	951,735	1,007,086	(12,025)
NET ASSETS, BEGINNING OF YEAR	<u>1,989,427</u>	<u>1,989,427</u>	<u>2,001,452</u>
NET ASSETS, END OF YEAR (Statement 1)	<u>\$2,941,162</u>	<u>\$2,996,513</u>	<u>\$1,989,427</u>

(See accompanying notes to the financial statements)

**EXTENDED HEALTH CARE PLAN FOR RETIRED EMPLOYEES
STATEMENT OF CASH FLOWS**

STATEMENT 3

FOR THE YEAR ENDED DECEMBER 31

	2006	2005
Cash flows from (used in) operating activities:		
Employer contributions received	\$1,089,581	\$ -
Interest income received	78,023	50,084
Insurance premium subsidies paid	(157,932)	(101,305)
Administration expenses paid	(29,692)	(45,613)
Cash flows from (used in) operating activities	979,980	(96,834)
Cash flows from (used in) investing activities:		
Purchase of investments	(9,524,097)	-
Proceeds from disposal of investments	6,952,151	-
Cash flows (used in) investing activities	(2,571,946)	-
Net decrease in due from General Revenue Fund	(1,591,966)	(96,834)
 DUE FROM GENERAL REVENUE FUND BEGINNING OF YEAR	 1,915,001	 2,011,835
DUE FROM GENERAL REVENUE FUND END OF YEAR	<u>\$ 323,035</u>	<u>\$1,915,001</u>

(See accompanying notes to the financial statements)

EXTENDED HEALTH CARE PLAN FOR RETIRED EMPLOYEES NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2006

1. Description of the Plan

The Extended Health Care Plan for Retired Employees (Plan) was established on January 15, 2002 pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to eligible retired employees of the Government of Saskatchewan who were members of either the Saskatchewan Government and General Employees' Union (PS/GE SGEU) or the Canadian Union of Public Employees', Local 600-3 (CUPE).

The Public Employees Benefits Agency (PEBA) manages the Plan under direction from the Joint Board of Trustees. The Joint Board of Trustees is made up of equal representation of union members and employers' representatives.

The Government through the Minister of Finance entered into an agreement with Group Medical Services (GMS) to provide eligible retirees with extended health coverage that expired on December 31, 2005. A new 2 year agreement effective January 1, 2006 was signed with GMS. The retirees are responsible to pay GMS the premiums set out in the agreement less a premium subsidy which is paid by the Plan. Currently, only retired PS/GE SGEU members are eligible for the premium subsidy from the Plan. The Plan's risk is limited to the payment of a monthly premium subsidy to GMS for eligible retired PS/GE SGEU members. The monthly premium subsidy is \$12.00 for a single policy, \$24.00 for a couple policy and \$30.00 for a family policy.

The Plan is funded by employers, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The contribution rate, set out in the PS/GE SGEU collective bargaining agreement with the Government, is 0.25% of the regular pay of current PS/GE SGEU employees. Currently, the Plan receives no contributions for retired CUPE members and does not pay any premium subsidies for these retirees.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles.

3. Due from General Revenue Fund

The Plan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Plan's bank account using the Government's thirty day borrowing rate, and the Plan's average daily bank account balance. The Government's average thirty day borrowing rate in 2006 was 3.95% (2005 – 2.57%).

4. Short-Term Investments

Short-term investments are comprised of T-Bills, notes and commercial paper with effective interest rates of 4.2% to 4.3% and an average remaining term to maturity of 41 days. Investments are purchased through the Treasury and Debt Management Branch of the Department of Finance and are subject to the Department's investment guidelines. The guidelines require that investments must meet a minimum investment standard of "R-1" rating, as rated by a recognized credit rating service.

5. Financial Instruments

The Plan's financial instruments include due from General Revenue Fund, employer contributions receivable, short term investments, accrued interest income, and accounts payable. Due to the immediate or short-term nature, the fair value of these instruments approximates carrying value.

6. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Plan by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Related party transactions with the Plan are in the normal course of operations and are recorded at the agreed upon exchange amounts charged by these organizations.

All employer contributions and employer contributions receivable are from related parties. Also, in 2006, PEBA charged the Plan \$25,799 (2005 – \$40,700) for administration expenses. Included in accounts payable is \$1,577 (2005 – \$5,470) due to PEBA.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

7. Budget

PEBA prepares the budget for approval by the Joint Board of Trustees.

